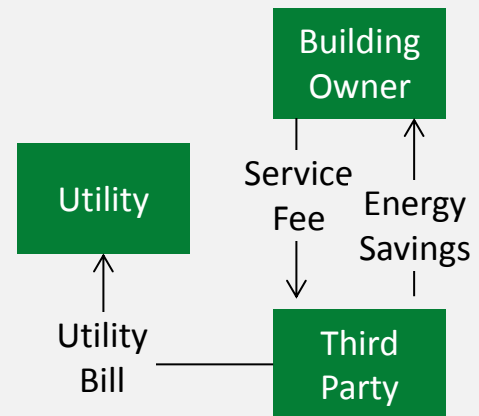


Energy Service Agreements

Energy service agreements are similar to energy savings performance contracts (ESPCs) in that a third party company provides energy savings for a fee. The key difference is the model's structure, where the third party will pay the building owner's utility bill directly.

This model guarantees savings for an agreed upon period of time in exchange for set fees that are less than the borrower's typical utility bills. Energy service agreement financing is often off-balance sheet, so is useful for tax purposes. Generally, no up-front costs are required for the building owner.



What is an energy service agreement?

- A third party agrees to pay a building's utility bills for a fee, and guarantees energy savings over the agreed time period.
- The fee is less than the modeled utility

Benefits

- Third party is paid only if savings are achieved; no creditworthiness test is necessary to evaluate the worth of the guaranteed savings
- The fees may take the place of the utility bill and can often be billed through to tenants.
- There is little upfront cost for the owner

Challenges

- Third parties tend to look for large project sizes (>\$750,000)
- Transaction costs can be high if each deal is heavily negotiated and takes time to document

Resources

- [Better Buildings Challenge Financial Allies](#)